

A dry run in the flush season

A spike in fodder costs has led to falling milk output, raising fears of an impending shortage of milk products

SANJEEV MUKHERJEE
New Delhi, 21 December

The flush season for milk this year, which runs from October to March, has been unusual in many respects for all stakeholders in the value chain. Supplies have been short and milk rates have risen, with rising fodder prices pushing up production costs.

The fodder shortage was caused by a drop in wheat production due to an unusually warm rabi season and also on account of a spike in demand for maize from ethanol and starch makers plus general bullishness towards growing cereals. Wheat and maize are the two main sources of fodder. Costly fodder, in turn, meant that farmers underfed their cattle while the Covid-19 pandemic had slowed the pace of artificial insemination, all of which seems to have contributed to a drop in per-animal milk production in this flush season, industry players said.

For the industry, a weak start to the flush has triggered murmurs of a shortage of milk products in the months ahead with companies struggling to build adequate inventories. Those that are building stocks are doing so at prices that are appreciably higher than previous years.

Sources said in markets like Maharashtra, which accounts for a significant production base for milk products (principally butter and fats), cow milk prices are 20-24 per cent higher than last year at around ₹33 per kg. In southern India, prices are cur-



rently being quoted at around ₹34 per kg, which, too, are higher than last year.

During the flush season, milk supplies typically rise at least 30 per cent. In normal circumstances, India produces around 550 million litres of milk per day, which goes up by almost 30 per cent during the flush season (which starts after the monsoons and ends just before the summer). This supply infusion each season not only pushes prices downwards, but also provides ample liquid milk for companies to store by converting it into skimmed milk powder (SMP) for use during the lean months (April to September) and also manufacture products such as butter.

Trade and industry players say India annually produces around 300,000 tonnes of SMP and 100,000 tonnes of butter. Of this,

60-70 per cent is manufactured during the flush season.

Currently, industry sources say, India has 30,000-40,000 tonnes of SMP stocks; they need to be around 250,000 tonnes by March to ensure adequate milk supplies in the lean months.

"Overall, the weak flush also means the year's total milk production might be less than projected. In 2021-22, India is believed to have produced around 221 million tonnes of milk. At a normal rate of growth, it should rise by at least 7-8 per cent in 2022-23. But going by ground reports and the way the flush season has started, it seems unlikely that the regular growth rate will be achieved," Rahul Kumar, managing director at Lactalis India, a subsidiary of a French dairy conglomerate, told Business Standard.

However, government sources

FODDER FOR THOUGHT

■ India annually produces around 300,000 tonnes of skimmed milk powder (SMP) and 100,000 tonnes of butter

■ Of this, 60-70% is manufactured during the flush season (October-March), when milk production rises about 30%

■ Currently, India has 30,000-40,000 tonnes of SMP stocks

■ Stocks need to be around 250,000 tonnes by March to ensure adequate milk supplies during the lean season (April-March)

■ Fodder prices rose 28% in November, putting fodder inflation at its highest since June 2013

■ Feed and fodder prices account for 70-80% of milk production costs

■ SMP prices at around ₹330 per kg were higher than ₹300-310 per kg in last year's flush season

said talk of an impending shortage was incorrect. "There is no shortage of milk anywhere and prices are high only due to increase in fodder cost," Sanjeev Balyan, minister of state for fisheries, animal husbandry and dairying, said on the sidelines of an event.

Kuldeep Saluja, managing director of Sterling Agro Industries, makers of the Nova Dairy brand, concurred that though SMP prices at around ₹330 per kg were higher than the ₹300-310 per kg in last year's flush season, there should not be a problem in ensuring SMP supplies. "There could, however, be a drop in supplies of products such as butter and fats for the next six to eight months for which adequate measures should be taken," he pointed out.

According to a report by ICICI

Securities, pan-India wholesale milk prices have increased 10.2 per cent year-on-year in December 2022 against a marginal rise in general month-on-month wholesale prices at 0.6 per cent. Companies have raised milk prices repeatedly in the last few months, but there is a limit to which the increased cost can be passed on to the consumers.

"We note the prices of maize and wheat continue to be 27.4 per cent and 31 per cent up year-on-year in November 2022, which will likely lead to higher feed prices. Hence, we expect farmers to pass on any further inflation in key raw materials via higher milk prices," the ICICI report said.

In milk, around 80 per cent of what consumers pay is passed on to the farmers in the form of procurement price. But the profitability of dairy companies is

expected to fall year-on-year in the second half of FY23, the ICICI report reckoned.

A report by rating agency ICRA, too, said that it expected a contraction in the operating profit margins of Indian dairy companies in FY2023 due to cost-side pressures, even as they continued to witness a healthy revenue growth.

Fodder prices have increased by 28 per cent in November compared to the same month last year, the government said in Parliament on Tuesday. In his written reply, Fisheries, Animal Husbandry and Dairying Minister Parshottam Rupala added that the ICAR-Indian Grassland and Fodder Research Institute (IGFRI) in Jhansi has estimated that there were deficits of 11.24, 23.4 and 28.9 per cent in green fodder, dry fodder and concentrates, respectively. The deficit has worsened this year due to the near absence of maize, wheat and soybean and their record high prices.

The level of fodder inflation in November 2022 was the highest since June 2013. Feed and fodder prices account for 70-80 per cent of the milk production costs.

The good news, however, is that most prominent milk companies discount any tangible impact of the deadly lumpy skin virus on milk production and supplies in the ongoing flush season.

"Lumpy skin disease is largely prevalent among indigenous cow varieties, which anyway have very low per-animal yield. So, even if we assume that 200,000 cows might have died due to the disease, the per-day production would have gone down by 0.5 million litres and we produce 550 million litres of milk daily. Therefore, the impact is negligible," Kumar of Lactalis said.

That is some relief as the dairy industry braces for a tough three months ahead.

With \$18-bn haul, this was the best year for auction houses

JAMES TARMY
21 December

It's been a banner year for the auction houses. Christie's, Sotheby's and Phillips have just released superlative-filled yearend reports. Christie's global sales hit \$8.4 billion, the highest annual total in art-market history, the auction house claims. Sotheby's was close behind with \$8 billion in sales, also its highest (though it comes with some major caveats) and the much smaller Phillips reported its best year ever too, with a final tally of \$1.3 billion.

But a note of warning: This record year might say more about the nature of the auction house business than the art market itself.

Sotheby's total, for instance, includes only \$6.8 billion of fine art and luxury sales, a decline of almost 7 per cent from last year's \$7.3 billion.

The remaining \$1.2 billion in Sotheby's yearend report came from the car auctioneer RM Sotheby's and the real estate auctioneer Sotheby's Concierge Auctions.

Phillips was able to supplement its overall numbers by pushing into new categories. Traditionally an auction house known for cutting-edge, hyper-contemporary art, this year it had a 50 per cent increase in the volume of modern artworks it sold — from the likes of Marc Chagall, Roy Lichtenstein and Pablo Picasso — for multimillion-dollar sums.

Christie's, which had the strongest showing of all, sold a massive \$6.2 billion worth of 20th and 21st century art alone.

This record year might say more about the nature of the auction house business than the art market itself

BLOOMBERG

India expects record remittances but experts worry CAD will widen

Of \$90 bn of remittances that India is pegged to receive in 2022, only \$27.4 bn has come in first half of the year

INDIVIAL DHASMANA
New Delhi, 21 December

India is likely to receive \$100 billion in remittances this calendar year, but experts say the record inflow may not be able to tame the widening current account deficit (CAD).

According to the latest World Bank report titled Migration and Development Brief, India's remittances are expected to reach the \$100-billion milestone in 2022 due to wage hikes and a strong labour market in the US and other OECD countries. This represents 11.8 per cent growth over \$89.4 billion received by India in 2021. In 2020, India received \$83.1 billion in remittances.

For CAD, net remittances, which are the balance of inflows and outflows, hold relevance. In 2021, outward remittances from India constituted \$8.1 billion, constituting 0.3 per cent of its gross domestic product (GDP), according to the report.

Assuming that a similar proportion of GDP would flow out as remittances in 2022, the figure would come to around \$10 billion. This means India would receive \$90 billion as remittances on a net basis in the year.

Importance of high remittances could also be gauged from the fact that foreign portfolio investors (FPIs) withdrew \$18 billion from the markets on a net basis till December 16 this year. Figures for foreign direct investments (FDIs) are available on the financial year basis. About \$20.2 billion FDI came in on a net basis in the first half of FY23, almost flat compared to the corresponding period of FY22.

Remittances are part of the current account, while FPI and FDI are capital accounts in the balance of payments. Despite high net remittances, pressure from CAD would not wane for India. Experts say CAD will widen further in the second quarter of 2022.

This constituted 1.5 per cent of the GDP. The deficit widened to \$23.9 billion in the second quarter. This accounted for 2.8 per cent of



REMITTANCES

the GDP. ICRA chief economist Aditi Nayar pegged it at \$32 billion or 3.9 per cent of the GDP in the third quarter and \$28-30 billion or 3.4-3.6 per cent of the GDP in the fourth quarter. Of \$90 billion remittances that India is expected to receive in 2022, only \$27.4 billion has come in the first half of the year. This means an overwhelming \$62.6 billion must come in the second half to reach the target.

But the CAD has been higher in the third and fourth quarter.

Nayar attributed this to the high trade deficit. Trade deficit stood at \$84.8 billion in the third quarter of this calendar year against \$70.6 billion in the second quarter. "Based on the higher growth in merchandise imports vis-a-vis exports in Q3, 2022, and widening of the associated trade deficit, we expect India's current account deficit to enlarge to an all-time high of ₹332 billion in that quarter, from ₹23.9 billion in Q2. The sharper rise in imports has been driven by both higher commodity prices as well as robust domestic demand. With some moderation in commodity prices, we expect the size of the CAD to ease in Q4, even as a weakening outlook for global demand poses a challenge to exports," Nayar said.

According to the World Bank report, remittances have benefited from a gradual structural shift in Indian migrants' key destinations from largely low-skilled, informal employment in the Gulf Cooperation Council (GCC) countries to high-skilled jobs in high income countries such as the US, the UK, and East Asian countries such as Singapore, Japan, Australia, New Zealand.

Between 2016-17 and 2020-21, the share of remittances from the US, UK, and Singapore increased from 26 per cent to over 36 per cent, while the share from the five GCC countries (Saudi Arabia, UAE, Kuwait, Oman, and Qatar) dropped from 54 to 28 per cent, the report said citing an RBI study.

With a share of 23 per cent of total remittances, the US surpassed the UAE as the top source country in 2020-21. About 20 per cent of India's emigrants are in the US and the UK.

The milestone in remittances to India could be gauged from the fact that Mexico would come next but would be way behind with inflow of \$60 billion in 2022. However, remittances do not constitute much as a proportion of GDP. These would account for just 2.9 per cent of GDP in India in 2022.

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Place: Patna
For Cachet Pharmaceuticals Private Limited
Sd/-
Sanjay Kumar
VP- Factory Operations

BEFORE THE NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH
CP(AA)/98(CHE)2022 IN CA(CAA) /11(CHE) / 2022

In the matter of the Companies Act, 2013
And
In the Matter of Composite Scheme of Arrangement between
Intersea Maritime Limited (Transferee/ Resulting Company)
and
Four M Maritime Private Limited (Transferor Company)
and
Buhari Holdings Private Limited (Demerged Company)
and
their respective Shareholders and Creditors

BUHARI HOLDINGS PRIVATE LIMITED, a company incorporated under the Companies Act, 1956 having Corporate Identification Number U45201TN1989PTC017001 and its Registered Office at No. 4, Moores Road, Nungambakkam, Chennai - 600006
.....Company / Demerged Company

NOTICE OF HEARING OF PETITION

A Petition under Sections 230 to 232 of the Companies Act, 2013 for an order sanctioning the Scheme of Arrangement between Four M Maritime Private Limited ("Transferor Company"), Buhari Holdings Private Limited ("Demerged Company") and Intersea Maritime Limited ("Transferee Company/ Resulting Company") and their respective shareholders and Creditors ("the Scheme"), was presented by the Demerged Company on 26th August 2022 jointly with other Petitioner companies and vide order dated 23rd November 2022 & 30th November 2022 the said petition is fixed for hearing before the Chennai Bench of National Company Law Tribunal (NCLT) on the **25th day of January, 2023**.

Any person desirous of supporting or opposing the said Petition should send to the Petitioner Company's registered office situated at No. 4, Moores Road, Nungambakkam, Chennai - 600006, a notice of his/her intention, signed by him/her or his/her advocate, with his/ her name and address, so as to reach the Company, not later than two days before the date fixed for the hearing of the Petition. Where he/she seeks to oppose the petition, the grounds of opposition or a copy of his/her affidavit shall be furnished with such notice.

A copy of the Petition will be furnished by the undersigned to any person requiring the same on payment of the prescribed charges for the same.

Place: Chennai
Date: 20/12/2022

For Buhari Holdings Private Limited
Swetha. R
Authorized Representative